## REMARKS

This Amendment and Request for Reconsideration is submitted in response to an Office Action mailed October 16, 2008. The shortened statutory period for response will expire on January 16, 2009. Accordingly, no fee for an extension is required. In the event the Commissioner determines that an additional fee is required, the undersigned hereby authorizes the Commissioner to charge any required fee to the Milbank deposit account (13-3250).

I. Status of the Claims

Please amend claims 1-4, and 6-31 as indicated above. New claim 32 is added. Claim 5 was cancelled previously. Claims 1-4 and 6-32 are now pending in the application. Claims 1, 11, 17, 19, 20, 27 and 32 are independent claims.

II. Rejections under 35 U.S.C. § 112

The Examiner has rejected claims 1-31 under 35 U.S.C. § 112 ¶ 2, as being indefinite for failing to particularly point out and distinctively claim the subject matter which the applicant regards as the invention.

In particular, the Examiner points out that, in claims 1-3, 9-11, 17, 19-20, 23-24, and 27-28, the recitations, "the transferable employee stock option" is not clearly described or found in the specification, which render the claims indefinite. Applicants disagree with the Examiner and traverse the rejection.

The Specification recites in paragraph [0003] that "[t]he invention relates to the field of securities and more particularly to the field of transferable employee stock options." Throughout the Specification, in non-limiting examples, transferable ESOs are described and differentiated from normal ESOs. For example, normal ESOs are typically fixed strike call

options that are issued by the employer or company, and may not be resold. (*See* [0025]). By contrast, transferable ESOs are ESOs that can be transferred, which will lead to less absolute dilution, and will also resolve problems with underwater options. (*See* [0037]-[0039]). In another non-limiting embodiment, for example, the Specification recites "new ESOs are granted with vesting that also includes a time at which the ESO will also be transferable. Upon vesting, the employee can sell the ESO." (*See* [0046]). The non-limiting examples clearly defines "the transferable employee stock option." Withdrawal of the rejections is respectfully requested.

III. Rejections under 35 U.S.C. § 101

The Examiner has rejected claims 1-31 under 35 U.S.C. § 101 as non-statutory subject matter based on Supreme Court precedents and recent Federal Circuit decisions. Applicants has amended claims 1-31 to recite "A computer system embedded with computer-readable medium having computer executable software code stored thereon, the code for transfer of previously issued and transferable employee stock options, the code comprising...." Therefore, the claimed subject matter is tied to a tangible computer system with computer-readable medium which is programmed to carry out the claimed invention. Applicants submit that the amended claims are in allowable format and are directed to statutory subject matter. Withdrawal of the rejections is respectfully requested.

VI. Rejections under 35 U.S.C. § 103

The Examiner has rejected claims 11-16 and 19 under 35 U.S.C. § 103 as being unpatentable on *Rudkin* (US Patent Pub. No. 2004/0199449). Applicants disagree with the Examiner and traverse the rejections.

Claim 11 recites: A computer system embedded with computer-readable medium having computer executable software code stored thereon, the code for transfer of previously

issued and transferable employee stock options, the code comprising: code for determining an economic value of a transferable employee stock option, the transferable employee stock option held by an employee, based on an option pricing formula; code for making the economic value available to the employee holder of the transferable employee stock option; and code for providing the economic value to the employee holder of the transferable employee stock option in exchange for all rights in the transferable employee stock option, wherein exchange of the transferable employee stock option does not require exercise of the transferable employee stock option.

*Rudkin* does not disclose: A computer system embedded with computer-readable medium having computer executable software code stored thereon, the code for transfer of previously issued and transferable employee stock options, the code comprising: code for determining an economic value of a transferable employee stock option, the transferable employee stock option held by an employee, based on an option pricing formula; code for making the economic value available to the employee holder of the transferable employee stock option; and code for providing the economic value to the employee holder of the transferable employee stock option in exchange for all rights in the transferable employee stock option, wherein exchange of the transferable employee stock option does not require exercise of the transferable employee stock option.

The Office Action quoted the term "transferability" from *Rudkin's* Abstract to show that *Rudkin* discloses transferable ESOs. Applicants believe that "transferability" was taken out of the context of the Abstract. In deed, *Rudkin's* Abstract proves that the restriction on transferability is one of the unique features of ESOs, which are different from the claimed transferable ESOs. *Rudkin's* Abstract states that "[t]he invention addresses the unique features

that differentiate ESOs from exchange-traded options (ETOs), including transferability and vesting restrictions ..." Thus, *Rudkin* discloses non-transferable ESOs. In addition, *Rudkin* discusses key features of ESOs. For example, paragraphs [0010]-[0012] reveal that "ESOs cannot be traded." There are more examples in *Rudkin* that discusses lack of transferability of ESOs, such as in paragraphs [0037] and [0042]. Thus, the transferability of ESOs as claimed in claim 11 is expressly disavowed by *Rudkin.*

For at least the above reasons, *Rudkin* fails to anticipate claim 11, and in fact teaches away from claim 11. Therefore, it would not be obvious to an ordinary skill in the art that ESO is transferable. Withdrawal of the rejection for claim 11 as to *Rudkin*, is respectfully requested.

Dependent claims 12-16 and independent claim 19 include limitations similar to claim 11, and are allowable for the reasons provided with respect to claim 11.

The Examiner has rejected claims 1-5 and 17-18 under 35 U.S.C. § 103 as being unpatentable over *Rudkin* in view of *Bodurtha et al* (US Patent No. 7,212,990). Claim 5 was previously cancelled, rendering the rejection moot.

Applicants disagree with the Examiner and traverse the rejections. *Rudkin* or *Bodurtha*, in combination or individually, fails to teach each and every element of the claims 1-4 and 17-18.

With respect to claim 1, the claim recites: A computer system embedded with computer-readable medium having computer executable software code stored thereon, the code for transfer of previously issued and transferable employee stock options, the code comprising:

code for purchasing all rights to a transferable employee stock option from an employee holding the transferable employee stock option, wherein purchase does not require exercise of the transferable employee stock option; and code for hedging the transferable employee stock option.

*Rudkin* does not disclose: A computer system embedded with computer-readable medium having computer executable software code stored thereon, the code for transfer of previously issued and transferable employee stock options, the code comprising: code for purchasing all rights to a transferable employee stock option from an employee holding the transferable employee stock option, wherein purchase does not require exercise of the transferable employee stock option; and code for hedging the transferable employee stock option.

Claim 1 includes elements similar to claim 11, therefore, *Rudkin* fails to disclose the elements in claim 1 as discussed with respect to claim 11. Further, as Applicants submitted in the previous Amendment and Response filed on September 11, 2008 that, *Rudkin* fails to disclose "code for hedging the transferable employee stock option" of claim 1. According to *Rudkin,* employees are generally unable to hedge ESOs. (*Rudkin* [0012]) Further, to the extent that *Rudkin* implies that outside investors are able to hedge, it is clear that it is referring to hedging of traditional options by outside investors, and not hedging of ESOs by outside investors. This is because at paragraph [0025], *Rudkin* further states that "ESOs cannot be traded. Hence, there is no market price for them and the only way for employees to obtain value to meet liquidity requirements or to attempt to diversify their portfolio is to exercise them." Those are precisely the types of problems described in the application for the current invention,

many of which are resolved by the current invention.

*Bodurtha* fails to remedy *Rudkin*'s deficiency and there is no motivation to combine. As Applicants submitted in the previous Amendment and Response filed on September 11, 2008 that, rights to regular stocks in *Bodurtha* col.3, lines 9-26, cited by the Examiner, are different from rights to ESOs in claim 1. In addition, exercise of common share's voting right in *Bodurtha* col.5, lines 1-5, cited by the Examiner, cannot be used to imply exercise of ESOs.

Since neither *Rudkin* nor *Bodurtha*, in combination or by itself, discloses all the elements as set forth in claim 1, withdrawal of the rejection for claim 1 as to *Rudkin* in light of *Bodurtha* is respectfully requested.

Independent claim 17 has limitations similar to claim 1, and are therefore allowable over *Rudkin* and *Bodurtha* for similar reasons. Dependent claims 2-5 and 18 have limitations similar to claim 1, and are allowable for similar reasons. Withdrawn of the rejections is respectfully requested.

Claims 6-10 are rejected under 35 USC 103(a) as being unpatentable over *Rudkin* in view of *Bodurtha et al* and *Sullivan et al* (2002/0194136). Applicants disagree with the Examiner and traverse the rejections.

Claims 6-10 have elements similar to claim 1. Therefore, similar to the discussions with respect to claim 1, *Rudkin* in view of *Bodurtha* fails to disclose similar elements of clams 6-10. *Sullivan* fails to remedy *Rudkin* or *Bodurtha*'s deficiencies and there is no motivation to combine. As discussed in the previous Amendment and Response dated March 12,

2008, for any ESOs in *Sullivan*, it appears there is no purchase of all rights to an ESO from an employee holding the ESO, where the purchase does not require exercise of the ESO, and hedging the ESO. If there is any transfer of rights to an ESO in *Sullivan,* it appears to be limited to a security interest such as for a margin account, and it is not a transfer of all rights.

For the above reasons, *Rudkin*, *Bodurtha*, or *Sullivan*, in combination or individually, fails to teach each and every element of the claims 6-10. Withdrawn of the rejections is respectfully requested.

Claims 20-26 and 27-31 are rejected under 35 USC 103(a) as being unpatentable over *Rudkin* in view of *Sullivan*. Claims 20-26 and 27-31 have elements similar to claims 1 and 6-10, and are therefore allowable for similar reasons discussed above. Withdrawn of the rejections is respectfully requested.

New claim 32 has elements similar to claims 1, and are therefore allowable for similar reasons discussed above.

## V. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejection and allowance is requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

Respectfully submitted,
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## ENCLOSURES *(Check all that apply)*

- ☐ Fee Transmittal Form
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- ☑ Amendment/Reply
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- ☐ Extension of Time Request
- ☐ Express Abandonment Request
- ☐ Information Disclosure Statement
- ☐ Certified Copy of Priority Document(s)
- ☐ Reply to Missing Parts/ Incomplete Application
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## SIGNATURE OF APPLICANT, ATTORNEY, OR AGENT

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